

_____ BILL NO. _____

INTRODUCED BY _____
(Primary Sponsor)

A BILL FOR AN ACT ENTITLED: "AN ACT REPLACING STATEWIDE LEVIES FOR THE SUPPORT OF K-12 EDUCATION WITH GENERAL FUND SUPPORT; AMENDING SECTIONS 15-1-111, 15-1-112, 15-10-420, 15-24-1402, 15-24-1703, 15-24-1802, 15-24-1902, 15-24-2002, 15-39-110, 17-3-213, 17-7-140, 17-7-301, 20-6-702, 20-9-212, 20-9-306, 20-9-308, 20-9-331, 20-9-333, 90-6-309, AND 90-6-403, MCA; REPEALING SECTION 20-9-360, MCA; AND PROVIDING AN EFFECTIVE DATE AND APPLICABILITY DATES."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-1-111, MCA, is amended to read:

"15-1-111. (Temporary) Reimbursement to local governments and schools -- duties of department and county treasurer -- statutory appropriation. (1) Prior to September 1, 1990, the department's agent in the county shall supply the following information to the department for each taxing jurisdiction within the county:

(a) the number of mills levied in the jurisdiction for tax year 1989;

(b) the number of mills levied in the jurisdiction for tax year 1990;

(c) the total taxable valuation for tax years 1989 and 1990, reported separately for each year, of all personal property not secured by real property; and

(d) the total taxable valuation for tax years 1989 and 1990, reported separately for each year, of all personal property secured by real property.

(2) After receipt of the information from its agent, the department shall calculate the amount of revenue lost to each taxing jurisdiction, using current year mill levies, due to the annual reduction in personal property tax rates set forth in 15-6-138, prior to 1994, and any reduction in taxes based upon recalculation of the effective tax rate for property in 15-6-145, prior to 1994. The department shall total the amounts for all taxing jurisdictions within the county.

(3) (a) The department shall remit to the county treasurer 50% of the amount of revenue reimbursable, determined pursuant to subsection (1), on or before November 30 and the remaining 50% on or before May 31.

~~(b) For tax year 1993 through tax year 1998, the department shall remit to the county treasurer of each county the same amount remitted to the county treasurer for the fiscal year 1991, as adjusted by the result of~~

~~dissolved or combined taxing jurisdictions, as provided for in subsection (7). Fifty percent of the amount must be remitted on or before November 30 and the remaining 50% on or before May 31.~~

~~(e)~~(b) (i) For tax year 1999 through tax year 2008, the department shall remit to the county treasurer of each county the same amount remitted to the county treasurer for the fiscal year 1991, progressively reduced by 10% of the 1991 amount each year, in accordance with the following schedule:

| Tax Year | Percentage of 1991 Remittance Amount |
|--------------------------|---|
| 1999 | 90 |
| 2000 | 80 |
| 2001 | 70 |
| 2002 | 60 |
| 2003 | 50 |
| 2004 | 40 |
| 2005 | 30 |
| 2006 | 20 |
| 2007 | 10 |
| 2008 and following years | 0 |

(ii) The amount remitted must be adjusted by the result of dissolved or combined taxing jurisdictions, as provided for in subsection (7). Fifty percent of the amount must be remitted on or before November 30 and the remaining 50% on or before May 31.

(4) Upon receipt of the reimbursement from the department, the county treasurer shall distribute the reimbursement to each taxing jurisdiction as calculated by the department.

(5) (a) For the purposes of this section and subject to subsection (7), "taxing jurisdiction" means a jurisdiction levying mills against personal property and includes but is not limited to a county, city, school district, tax increment financing district, and miscellaneous taxing district.

(b) The term does not include county or state school equalization levies provided for in 15-10-107, ~~20-9-331, 20-9-333, 20-9-360, 20-25-423, and 20-25-439.~~

(6) The amounts necessary for the administration of this section are statutorily appropriated, as provided in 17-7-502, from the general fund to reimburse eligible taxing jurisdictions for reductions in tax rates on personal property.

(7) The following apply to taxing jurisdictions that were altered after tax year 1989:

(a) A taxing jurisdiction that existed in tax year 1989 and that no longer exists is not entitled to reimbursement under this section.

(b) A taxing jurisdiction that existed in tax year 1989 and that is split into two or more taxing jurisdictions or that is annexed to or is consolidated with another taxing jurisdiction is entitled to reimbursement based on the portion of 1989 taxable value within each new taxing jurisdiction. The department shall determine the portion of 1989 taxable value located in each taxing jurisdiction.

(c) A taxing jurisdiction that did not exist in tax year 1989 is not entitled to reimbursement under this section unless the jurisdiction was created as described in subsection (7)(b). (Repealed effective July 1, 2008--secs. 66(2), 68(2), Ch. 422, L. 1997.)"

Section 2. Section 15-1-112, MCA, is amended to read:

"15-1-112. Business equipment tax rate reduction reimbursement to local government taxing jurisdictions. (1) On or before January 1, 1996, for the reduction in payment under subsection (4) and by June 1 of 1996, 1997, and 1998 for all other reimbursements in this section, the department shall determine a reimbursement amount associated with reducing the tax rate in 15-6-138 and provide that information to each county treasurer. The reimbursement amount must be determined for each local government taxing jurisdiction that levied mills on the taxable value of property described in 15-6-138 in the corresponding tax year. However, the reimbursement does not apply to property described in 15-6-138 that has a reduced tax rate under 15-24-1402.

(2) (a) The reimbursement amount to be used as the basis for the payment reduction under subsection (4) is the product of multiplying the tax year 1995 taxable value of property described in 15-6-138 for each local government taxing jurisdiction by the tax year 1995 mill levy for the jurisdiction and then multiplying by 1/9th.

(b) (i) The reimbursement amount for each local government taxing jurisdiction for tax year 1996 is the amount determined under subsection (2)(a) unless the tax year 1996 market value of property described in 15-6-138, for the particular local government taxing jurisdiction, is more than the tax year 1995 market value for property described in 15-6-138 in the same jurisdiction.

(ii) If the tax year 1996 market value is greater than the tax year 1995 market value for a particular jurisdiction, then the reimbursement amount for tax year 1996 is the result of subtracting the simulated 1996 tax from the 1995 tax. The 1995 tax is the tax for the particular jurisdiction, determined by multiplying the actual

1 taxable valuation of property described in 15-6-138, for tax year 1995, by the tax year 1995 mill levy for the
2 jurisdiction. The simulated 1996 tax for the particular jurisdiction is the actual tax year 1996 taxable value of
3 property described in 15-6-138 multiplied by the tax year 1995 mill levy for the particular jurisdiction. If the
4 simulated 1996 tax is greater than the 1995 tax, the reimbursement amount is zero.

5 (c) (i) The reimbursement amount for each local government taxing jurisdiction for tax year 1997 is the
6 amount determined under subsection (2)(a) multiplied by two unless the tax year 1997 market value of property
7 described in 15-6-138, for the particular local government taxing jurisdiction, is more than the tax year 1995
8 market value for property described in 15-6-138 in the same jurisdiction.

9 (ii) If the tax year 1997 market value is greater than the tax year 1995 market value for a particular
10 jurisdiction, then the reimbursement amount for tax year 1997 is the result of subtracting the simulated 1997 tax
11 from the 1995 tax. The 1995 tax is the tax for the particular jurisdiction, determined by multiplying the actual
12 taxable valuation of property described in 15-6-138, for tax year 1995, by the tax year 1995 mill levy for the
13 jurisdiction. The simulated 1997 tax for the particular jurisdiction is the actual tax year 1997 taxable value of
14 property described in 15-6-138 multiplied by the tax year 1995 mill levy for the particular jurisdiction. If the
15 simulated 1997 tax is greater than the 1995 tax, the reimbursement amount is zero.

16 (d) (i) The reimbursement amount for each local government taxing jurisdiction for tax year 1998 is the
17 amount determined under subsection (2)(a) multiplied by three unless the tax year 1998 market value of property
18 described in 15-6-138, for the particular local government taxing jurisdiction, is more than the tax year 1995
19 market value for property described in 15-6-138 in the same jurisdiction.

20 (ii) If the tax year 1998 market value is greater than the tax year 1995 market value for a particular
21 jurisdiction, then the reimbursement amount for tax year 1998 is the result of subtracting the simulated 1998 tax
22 from the 1995 tax. The 1995 tax is the tax for the particular jurisdiction, determined by multiplying the actual
23 taxable valuation of property described in 15-6-138, for tax year 1995, by the tax year 1995 mill levy for the
24 jurisdiction. The simulated 1998 tax for the particular jurisdiction is the actual tax year 1998 taxable value of
25 property described in 15-6-138 multiplied by the tax year 1995 mill levy for the particular jurisdiction. If the
26 simulated 1998 tax is greater than the 1995 tax, the reimbursement amount is zero.

27 (3) (a) For purposes of this section, "local government taxing jurisdiction" means a local government
28 rather than a state taxing jurisdiction that levied mills against property described in 15-6-138, including county
29 governments, incorporated city and town governments, consolidated county and city governments, tax increment
30 financing districts, local elementary and high school districts, local community college districts, miscellaneous

1 districts, and special districts. The term includes countywide mills levied for equalization of school retirement or
2 transportation.

3 (b) The term does not include ~~the county or state school equalization levies~~ levy provided for in 20-9-331,
4 ~~20-9-333, 20-9-360, and 20-25-439.~~

5 (c) Each tax increment financing district must receive the benefit of the state mill on the incremental
6 taxable value of the district.

7 ~~(4) County treasurers shall reduce the county payment to the state for the levy imposed under 20-9-360~~
8 ~~in June of 1996 by an amount equal to 38% of the reimbursement amount determined under subsection (2)(a)~~
9 ~~for all of the local government taxing jurisdictions in the county.~~

10 ~~————(5) County treasurers shall reduce the county payment to the state for the levy imposed under 20-9-360~~
11 ~~in December of 1996 by an amount equal to 31% of the reimbursement amount for tax year 1996 for all of the~~
12 ~~local government taxing jurisdictions in the county, as determined by the department under subsection (2).~~

13 ~~————(6) County treasurers shall reduce the county payment to the state for the levy imposed under 20-9-360~~
14 ~~in June of 1997 by an amount equal to 31% of the reimbursement amount for tax year 1996 for all of the local~~
15 ~~government taxing jurisdictions in the county and by an amount equal to 38% of the reimbursement amount for~~
16 ~~tax year 1997 for all of the local government taxing jurisdictions in the county, as determined by the department~~
17 ~~under subsection (2).~~

18 ~~————(7) County treasurers shall reduce the county payment to the state for the levy imposed under 20-9-360~~
19 ~~in December of 1997 by an amount equal to 31% of the reimbursement amount for tax year 1997 for all of the~~
20 ~~local government taxing jurisdictions in the county, as determined by the department under subsection (2).~~

21 ~~————(8) County treasurers shall reduce the county payment to the state for the levy imposed under 20-9-360~~
22 ~~in June of 1998 by an amount equal to 31% of the reimbursement amount for tax year 1997 for all of the local~~
23 ~~government taxing jurisdictions in the county and by an amount equal to 38% of the reimbursement amount for~~
24 ~~tax year 1998 for all of the local government taxing jurisdictions in the county, as determined by the department~~
25 ~~under subsection (2).~~

26 ~~————(9) County treasurers shall reduce the county payment to the state for the levy imposed under 20-9-360~~
27 ~~in December of 1998 by an amount equal to 31% of the reimbursement amount for tax year 1998 for all of the~~
28 ~~local government taxing jurisdictions in the county, as determined by the department under subsection (2).~~

29 ~~————(10) County treasurers shall reduce the county payment to the state for the levy imposed under 20-9-360~~
30 ~~in June of 1999 by an amount equal to 69% of the reimbursement amount for tax year 1998 for all of the local~~

government taxing jurisdictions in the county, as determined by the department under subsection (2):

~~———— (11) County treasurers shall reduce the county payment to the state for the levy imposed under 20-9-360 in December of the years 1999 through 2007 by an amount equal to 31% of the reimbursement amount determined in subsection (13) for all of the local government taxing jurisdictions in the county, as determined by the department under subsection (2):~~

~~———— (12) County treasurers shall reduce the county payment to the state for the levy imposed under 20-9-360 in June of the years 2000 through 2008 by an amount equal to 69% of the reimbursement amount determined in subsection (13) for all of the local government taxing jurisdictions in the county, as determined by the department under subsection (2):~~

(13)(a)(4) The reimbursement amount for tax year 1999 and each subsequent tax year for 9 years must be progressively reduced each year by 10% of the reimbursement amount for tax year 1998, according to the following schedule:

| Tax Year | Percentage of 1998 Reimbursement Amount |
|--------------------------|--|
| 1999 | 90 |
| 2000 | 80 |
| 2001 | 70 |
| 2002 | 60 |
| 2003 | 50 |
| 2004 | 40 |
| 2005 | 30 |
| 2006 | 20 |
| 2007 | 10 |
| 2008 and following years | 0 |

~~(b) The reimbursement amount for each tax year must be the basis for reducing the amount remitted to the state for the levy imposed under 20-9-360 in December of the same year and June of the following year.~~

~~(14)(5) The county treasurer shall use the funds from the reduced payment to the state for the levy imposed under 20-9-360 to reimburse each local government taxing jurisdiction in the amount determined by the department under subsection (2). The reimbursement must be distributed to funds within local government taxing jurisdictions in the same manner as taxes on property described in 15-6-138 are distributed. The reimbursement~~

1 in June must be distributed based on the prior year's mill levy, and the reimbursement in December must be
2 based on the current year's mill levy.

3 ~~(15)(6)~~ Each local government taxing jurisdiction receiving reimbursements shall consider the amount
4 of reimbursement that will be received and lower the mill levy otherwise necessary to fund the budget by the
5 amount that would otherwise have to be raised by the mill levy.

6 ~~(16)(7)~~ A local government taxing jurisdiction that ceases to exist after October 1, 1995, will no longer
7 be considered for revenue loss or reimbursement purposes. A local government taxing jurisdiction that is created
8 after January 1, 1996, will not be considered for revenue loss or reimbursement purposes. If a local government
9 taxing jurisdiction that existed prior to January of 1996 is split between two or more taxing jurisdictions or is
10 annexed to or is consolidated with another taxing jurisdiction, the department shall determine how much of the
11 revenue loss and reimbursement is attributed to the new jurisdictions."

12
13 **Section 3.** Section 15-10-420, MCA, is amended to read:

14 **"15-10-420. Procedure for calculating levy.** (1) (a) Subject to the provisions of this section, a
15 governmental entity that is authorized to impose mills may impose a mill levy sufficient to generate the amount
16 of property taxes actually assessed in the prior year plus one-half of the average rate of inflation for the prior 3
17 years. The maximum number of mills that a governmental entity may impose is established by calculating the
18 number of mills required to generate the amount of property tax actually assessed in the governmental unit in the
19 prior year based on the current year taxable value, less the current year's value of newly taxable property, plus
20 one-half of the average rate of inflation for the prior 3 years.

21 (b) A governmental entity that does not impose the maximum number of mills authorized under
22 subsection (1)(a) may carry forward the authority to impose the number of mills equal to the difference between
23 the actual number of mills imposed and the maximum number of mills authorized to be imposed. The mill authority
24 carried forward may be imposed in a subsequent tax year.

25 (c) For the purposes of subsection (1)(a), the department shall calculate one-half of the average rate of
26 inflation for the prior 3 years by using the consumer price index, U.S. city average, all urban consumers, using
27 the 1982-84 base of 100, as published by the bureau of labor statistics of the United States department of labor.

28 (2) A governmental entity may apply the levy calculated pursuant to subsection (1)(a) plus any additional
29 levies authorized by the voters, as provided in 15-10-425, to all property in the governmental unit, including newly
30 taxable property.

1 (3) (a) For purposes of this section, newly taxable property includes:

2 (i) annexation of real property and improvements into a taxing unit;

3 (ii) construction, expansion, or remodeling of improvements;

4 (iii) transfer of property into a taxing unit;

5 (iv) subdivision of real property; and

6 (v) transfer of property from tax-exempt to taxable status.

7 (b) Newly taxable property does not include an increase in value that arises because of an increase in
8 the incremental value within a tax increment financing district.

9 (4) (a) For the purposes of subsection (1), the taxable value of newly taxable property includes the
10 release of taxable value from the incremental taxable value of a tax increment financing district because of:

11 (i) a change in the boundary of a tax increment financing district;

12 (ii) an increase in the base value of the tax increment financing district pursuant to 7-15-4287; or

13 (iii) the termination of a tax increment financing district.

14 (b) If a tax increment financing district terminates prior to the certification of taxable values as required
15 in 15-10-202, the increment value is reported as newly taxable property in the year in which the tax increment
16 financing district terminates. If a tax increment financing district terminates after the certification of taxable values
17 as required in 15-10-202, the increment value is reported as newly taxable property in the following tax year.

18 (c) For the purpose of subsection (3)(a)(iv), the subdivision of real property includes the first sale of real
19 property that results in the property being taxable as class four property or as nonqualified agricultural land as
20 described in 15-6-133(1)(c).

21 (5) Subject to subsection (8), subsection (1)(a) does not apply to:

22 (a) school district levies established in Title 20; or

23 (b) the portion of a governmental entity's property tax levy for premium contributions for group benefits
24 excluded under 2-9-212 or 2-18-703.

25 (6) For purposes of subsection (1)(a), taxes imposed do not include net or gross proceeds taxes received
26 under 15-6-131 and 15-6-132.

27 (7) In determining the maximum number of mills in subsection (1)(a), the governmental entity may
28 increase the number of mills to account for a decrease in reimbursements.

29 (8) The department shall calculate, on a statewide basis, the number of mills to be imposed for purposes
30 of 15-10-107, ~~20-9-331~~, ~~20-9-333~~, ~~20-9-360~~, 20-25-423, and 20-25-439. However, the number of mills calculated

1 by the department may not exceed the mill levy limits established in those sections. The mill calculation must be
2 established in whole mills. If the mill levy calculation does not result in a whole number of mills, then the
3 calculation must be rounded up to the nearest whole mill.

4 (9) (a) The provisions of subsection (1) do not prevent or restrict:

5 (i) a judgment levy under 2-9-316, 7-6-4015, or 7-7-2202;

6 (ii) a levy to repay taxes paid under protest as provided in 15-1-402; or

7 (iii) an emergency levy authorized under 10-3-405, 20-9-168, or 20-15-326.

8 (b) A levy authorized under subsection (9)(a) may not be included in the amount of property taxes
9 actually assessed in a subsequent year.

10 (10) A governmental entity may levy mills for the support of airports as authorized in 67-10-402,
11 67-11-301, or 67-11-302 even though the governmental entity has not imposed a levy for the airport or the airport
12 authority in either of the previous 2 years and the airport or airport authority has not been appropriated operating
13 funds by a county or municipality during that time.

14 (11) The department may adopt rules to implement this section. The rules may include a method for
15 calculating the percentage of change in valuation for purposes of determining the elimination of property, new
16 improvements, or newly taxable property in a governmental unit."

17
18 **Section 4.** Section 15-24-1402, MCA, is amended to read:

19 **"15-24-1402. New or expanding industry -- assessment -- notification.** (1) In the first 5 years after
20 a construction permit is issued, qualifying improvements or modernized processes that represent new industry
21 or expansion of an existing industry, as designated in the approving resolution, must be taxed at 50% of their
22 taxable value. Subject to 15-10-420, each year thereafter, the percentage must be increased by equal
23 percentages until the full taxable value is attained in the 10th year. In subsequent years, the property must be
24 taxed at 100% of its taxable value.

25 (2) (a) In order for a taxpayer to receive the tax benefits described in subsection (1), the governing body
26 of the affected county or the incorporated city or town must have approved by separate resolution for each
27 project, following due notice as defined in 76-15-103 and a public hearing, the use of the schedule provided for
28 in subsection (1) for its respective jurisdiction. The governing body may not grant approval for the project until
29 all of the applicant's taxes have been paid in full. Taxes paid under protest do not preclude approval.

30 (b) Subject to 15-10-420, the governing body may end the tax benefits by majority vote at any time, but

1 the tax benefits may not be denied an industrial facility that previously qualified for the benefits.

2 (c) The resolution provided for in subsection (2)(a) must include a definition of the improvements or
3 modernized processes that qualify for the tax treatment that is to be allowed in the taxing jurisdiction. The
4 resolution may provide that real property other than land, personal property, improvements, or any combination
5 thereof is eligible for the tax benefits described in subsection (1).

6 (d) Property taxes abated from the reduction in taxable value allowed by this section are subject to
7 recapture by the local governing body if the ownership or use of the property does not meet the requirements of
8 15-24-1401, this section, or the resolution required by subsections (2)(a) and (2)(c) of this section. The recapture
9 is equal to the amount of taxes avoided, plus interest and penalties for nonpayment of property taxes provided
10 in 15-16-102, during any period in which an abatement under the provisions of this section was in effect. The
11 amount recaptured, including penalty and interest, must be distributed by the treasurer to funds and accounts
12 subject to the abatement in the same ratio as the property tax was abated. A recapture of taxes abated by this
13 section is not allowed with regard to property ceasing to qualify for the abatement by reason of an involuntary
14 conversion. The recapture of abated taxes may be canceled, in whole or in part, if the local governing body
15 determines that the taxpayer's failure to meet the requirements is a result of circumstances beyond the control
16 of the taxpayer.

17 (3) The taxpayer shall apply to the department for the tax treatment allowed under subsection (1). The
18 application by the taxpayer must first be approved by the governing body of the appropriate local taxing
19 jurisdiction, and the governing body shall indicate in its approval that the property of the applicant qualifies for the
20 tax treatment provided for in this section. Upon receipt of the form with the approval of the governing body of the
21 affected taxing jurisdiction, the department shall make the assessment change pursuant to this section.

22 (4) The tax benefit described in subsection (1) applies only to the number of mills levied and assessed
23 for local high school district and elementary school district purposes and to the number of mills levied and
24 assessed by the governing body approving the benefit over which the governing body has sole discretion. The
25 benefit described in subsection (1) may not apply to levies or assessments required under Title 15, chapter 10,
26 ~~20-9-331, 20-9-333, or 20-9-360~~ or otherwise required under state law.

27 (5) Prior to approving the resolution under this section, the governing body shall notify by certified mail
28 all taxing jurisdictions affected by the tax benefit."
29

30 **Section 5.** Section 15-24-1703, MCA, is amended to read:

1 **"15-24-1703. Application of suspension or cancellation.** The suspension or cancellation of delinquent
2 property taxes pursuant to this part:

3 (1) applies to all mills levied in the county or otherwise required under state law, including levies or
4 assessments required under Title 15, chapter 10, ~~20-9-331, 20-9-333,~~ and 20-25-423;

5 (2) does not apply to assessments made against property for the payment of bonds issued pursuant to
6 Title 7, chapter 12."

7
8 **Section 6.** Section 15-24-1802, MCA, is amended to read:

9 **"15-24-1802. Business incubator tax exemption -- procedure.** (1) A business incubator owned or
10 leased and operated by a local economic development organization is eligible for an exemption from property
11 taxes as provided in this section.

12 (2) In order to qualify for the tax exemption described in this section, the governing body of the county,
13 consolidated government, incorporated city or town, or school district in which the property is located shall
14 approve the tax exemption by resolution, after due notice, as defined in 76-15-103, and hearing. The governing
15 body may approve or disapprove the tax exemption provided for in subsection (1). If a tax exemption is approved,
16 the governing body shall do so by a separate resolution for each business incubator in its respective jurisdiction.
17 The governing body may not grant approval for the business incubator until all of the applicant's taxes have been
18 paid in full or, if the property is leased to a business incubator, until all of the owner's property taxes on that
19 property have been paid in full. Taxes paid under protest do not preclude approval. Prior to holding the hearing,
20 the governing body shall determine that the local economic development organization:

21 (a) is a private, nonprofit corporation as provided in Title 35, chapter 2, and is exempt from taxation under
22 section 501(c)(3) or 501(c)(6) of the Internal Revenue Code;

23 (b) is engaged in economic development and business assistance work in the area; and

24 (c) owns or leases and operates or will operate the business incubator.

25 (3) Upon receipt of approval of the governing body of the affected taxing jurisdiction, the department shall
26 make the assessment change for the tax exemption provided for in this section.

27 (4) The tax exemption described in subsection (1) applies only to the number of mills levied and
28 assessed by the governing body approving the exemption over which the governing body has sole discretion.
29 If the governing body of a county, consolidated government, or incorporated city or town approves the exemption,
30 the exemption applies to levies and assessments required under Title 15, chapter 10, ~~20-9-331, or 20-9-333~~ or

1 otherwise required under state law.

2 (5) Property taxes abated from the reduction in property taxes allowed by this section are subject to
3 recapture by the local governing body if the ownership or use of the property does not meet the requirements of
4 15-24-1801, this section, or the resolution required by subsection (2) of this section. The recapture is equal to
5 the amount of taxes avoided, plus interest and penalties for nonpayment of property taxes provided in 15-16-102,
6 during any period in which an abatement under the provisions of this section was in effect. The amount
7 recaptured, including penalty and interest, must be distributed by the treasurer to funds and accounts subject to
8 the abatement in the same ratio as the property tax was abated. A recapture of taxes abated by this section is
9 not allowed with regard to property ceasing to qualify for the abatement by reason of an involuntary conversion.
10 The recapture of abated taxes may be canceled, in whole or in part, if the local governing body determines that
11 the taxpayer's failure to meet the requirements is a result of circumstances beyond the control of the taxpayer."
12

13 **Section 7.** Section 15-24-1902, MCA, is amended to read:

14 **"15-24-1902. Industrial park tax exemption -- procedure -- termination.** (1) An industrial park owned
15 and operated by a local economic development organization or a port authority is eligible for an exemption from
16 property taxes as provided in this section.

17 (2) In order to qualify for the tax exemption described in this section, the governing body of the county,
18 consolidated government, incorporated city or town, or school district in which the property is located shall
19 approve the tax exemption by resolution, after due notice, as defined in 76-15-103, and hearing. The governing
20 body may approve or disapprove the tax exemption provided for in subsection (1). If a tax exemption is approved,
21 the governing body shall do so by a separate resolution for each industrial park in its respective jurisdiction. The
22 governing body may not grant approval for the industrial park until all of the applicant's taxes have been paid in
23 full. Taxes paid under protest do not preclude approval. Prior to holding the hearing, the governing body shall
24 determine that:

25 (a) the local economic development organization:

26 (i) is a private, nonprofit corporation as provided in Title 35, chapter 2, and is exempt from taxation under
27 section 501(c)(3) or 501(c)(6) of the Internal Revenue Code;

28 (ii) is engaged in economic development and business assistance work in the area; and

29 (iii) owns and operates or will own and operate the industrial development park; or

30 (b) the port authority legally exists under the provisions of 7-14-1101 or 7-14-1102.

(3) Upon receipt of approval of the governing body of the affected taxing jurisdiction, the department shall make the assessment change for the tax exemption provided for in this section.

(4) The tax exemption described in subsection (1) applies only to the number of mills levied and assessed by the governing body approving the exemption over which the governing body has sole discretion. If the governing body of a county, consolidated government, or incorporated city or town approves the exemption, the exemption applies to levies or assessments required under Title 15, chapter 10, ~~20-9-331, or 20-9-333~~ or otherwise required under state law.

(5) If a local economic development organization sells, leases, or otherwise disposes of the exempt property to a purchaser or lessee that is not a local economic development organization or a unit of federal, state, or local government, the tax exemption provided in this section terminates. The termination of the exemption applies January 1 of the taxable year immediately following the sale, lease, or other disposition of the property. Upon termination of the exemption, the property must be assessed as provided in 15-16-203.

(6) Property taxes abated from the reduction in property taxes allowed by this section are subject to recapture by the local governing body if the ownership or use of the property does not meet the requirements of 15-24-1901, this section, or the resolution required by subsection (2) of this section. The recapture is equal to the amount of taxes avoided, plus interest and penalties for nonpayment of property taxes provided in 15-16-102, during any period in which an abatement under the provisions of this section was in effect. The amount recaptured, including penalty and interest, must be distributed by the treasurer to funds and accounts subject to the abatement in the same ratio as the property tax was abated. A recapture of taxes abated by this section is not allowed with regard to property ceasing to qualify for the abatement by reason of an involuntary conversion. The recapture of abated taxes may be canceled, in whole or in part, if the local governing body determines that the taxpayer's failure to meet the requirements is a result of circumstances beyond the control of the taxpayer."

Section 8. Section 15-24-2002, MCA, is amended to read:

"15-24-2002. Building and land tax exemption -- procedure -- termination. (1) A building and land owned by a local economic development organization that the local economic development organization intends to sell or lease to a profit-oriented, employment-stimulating business are eligible for an exemption from property taxes as provided in this section.

(2) In order to qualify for the tax exemption described in this section, the governing body of the affected county, consolidated government, incorporated city or town, or school district in which the building and land are

located shall approve the tax exemption by resolution, after due notice, as defined in 76-15-103, and hearing. The governing body may approve or disapprove the tax exemption provided for in subsection (1). The governing body shall approve a tax exemption by a separate resolution. The governing body may not grant approval for the building and land until all of the applicant's taxes have been paid in full. Taxes paid under protest do not preclude approval. Prior to holding the hearing, the governing body shall determine that the local economic development organization:

(a) is a private, nonprofit corporation, as provided in Title 35, chapter 2, and is exempt from taxation under section 501(c)(3) or 501(c)(6) of the Internal Revenue Code;

(b) is engaged in economic development and business assistance work in the area; and

(c) owns or will own the building and land.

(3) Upon receipt of approval of the governing body of the affected taxing jurisdiction, the department shall make the assessment change for the tax exemption provided for in this section.

(4) The tax exemption described in subsection (1) applies only to the number of mills levied and assessed by the governing body approving the exemption over which the governing body has sole discretion. If the governing body of a county, consolidated government, or incorporated city or town approves the exemption, the exemption applies to levies or assessments required under Title 15, chapter 10, ~~20-9-331, or 20-9-333~~ and other levies required under state law.

(5) When a local economic development organization sells, leases, or otherwise disposes of the exempt property to a purchaser or lessee that is not a local economic development organization or a unit of federal, state, or local government, the tax exemption provided in this section terminates. The termination of the exemption applies January 1 of the taxable year immediately following the sale, lease, or other disposition of the property. Upon termination of the exemption, the property must be assessed as provided in 15-16-203.

(6) Property taxes abated from the reduction in property taxes allowed by this section are subject to recapture by the local governing body if the ownership or use of the property does not meet the requirements of this section or the resolution required by subsection (2). The recapture is equal to the amount of taxes avoided, plus interest and penalties for nonpayment of property taxes provided in 15-16-102, during any period in which an abatement under the provisions of this section was in effect. The amount recaptured, including penalty and interest, must be distributed by the treasurer to funds and accounts subject to the abatement in the same ratio as the property tax was abated. A recapture of taxes abated by this section is not allowed with regard to property ceasing to qualify for the abatement by reason of an involuntary conversion. The recapture of abated taxes may

1 be canceled, in whole or in part, if the local governing body determines that the taxpayer's failure to meet the
2 requirements is a result of circumstances beyond the control of the taxpayer."

3
4 **Section 9.** Section 15-39-110, MCA, is amended to read:

5 **"15-39-110. Distribution of taxes.** (1) (a) For each semiannual period, the department shall determine
6 the amount of tax, late payment interest, and penalties collected under this part from bentonite mines that
7 produced bentonite before January 1, 2005. The tax is distributed as provided in subsections (2) through (12).

8 (b) For each semiannual period, the department shall determine the amount of tax, late payment interest,
9 and penalties collected under this part from bentonite mines that first began producing bentonite after December
10 31, 2004. The tax is distributed as provided in subsection (13).

11 (2) For the production of bentonite occurring after December 31, 2004, and before January 1, 2006, the
12 tax determined under subsection (1)(a) is allocated according to the following schedule:

13 (a) 2.33% to the state special revenue fund to be appropriated to the Montana university system for the
14 purposes of the state tax levy as provided in 20-25-423;

15 (b) 18.14% to the state general fund ~~to be appropriated for the purposes of the tax levies as provided~~
16 ~~in 20-9-331, 20-9-333, and 20-9-360;~~

17 (c) 3.35% to Carbon County to be distributed in proportion to current fiscal year mill levies in the taxing
18 jurisdictions in which production occurs, except a distribution may not be made for ~~county and state levies~~ the
19 levy under ~~20-9-331, 20-9-333, 20-9-360, and 20-25-423; and~~

20 (d) 76.18% to Carter County to be distributed in proportion to current fiscal year mill levies in the taxing
21 jurisdictions in which production occurs, except a distribution may not be made for ~~county and state levies~~ the
22 levy under ~~20-9-331, 20-9-333, 20-9-360, and 20-25-423.~~

23 (3) For the production of bentonite occurring after December 31, 2005, and before January 1, 2007, 90%
24 of the tax determined under subsection (1)(a) must be distributed as provided in subsection (2) and 10% must
25 be distributed as provided in subsection (13).

26 (4) For the production of bentonite occurring after December 31, 2006, and before January 1, 2008, 80%
27 of the tax determined under subsection (1)(a) must be distributed as provided in subsection (2) and 20% must
28 be distributed as provided in subsection (13).

29 (5) For the production of bentonite occurring after December 31, 2007, and before January 1, 2009, 70%
30 of the tax determined under subsection (1)(a) must be distributed as provided in subsection (2) and 30% must

1 be distributed as provided in subsection (13).

2 (6) For the production of bentonite occurring after December 31, 2008, and before January 1, 2010, 60%
3 of the tax determined under subsection (1)(a) must be distributed as provided in subsection (2) and 40% must
4 be distributed as provided in subsection (13).

5 (7) For the production of bentonite occurring after December 31, 2009, and before January 1, 2011, 50%
6 of the tax determined under subsection (1)(a) must be distributed as provided in subsection (2) and 50% must
7 be distributed as provided in subsection (13).

8 (8) For the production of bentonite occurring after December 31, 2010, and before January 1, 2012, 40%
9 of the tax determined under subsection (1)(a) must be distributed as provided in subsection (2) and 60% must
10 be distributed as provided in subsection (13).

11 (9) For the production of bentonite occurring after December 31, 2011, and before January 1, 2013, 30%
12 of the tax determined under subsection (1)(a) must be distributed as provided in subsection (2) and 70% must
13 be distributed as provided in subsection (13).

14 (10) For the production of bentonite occurring after December 31, 2012, and before January 1, 2014, 20%
15 of the tax determined under subsection (1)(a) must be distributed as provided in subsection (2) and 80% must
16 be distributed as provided in subsection (13).

17 (11) For the production of bentonite occurring after December 31, 2013, and before January 1, 2015, 10%
18 of the tax determined under subsection (1)(a) must be distributed as provided in subsection (2) and 90% must
19 be distributed as provided in subsection (13).

20 (12) For the production of bentonite occurring in tax years beginning after December 31, 2014, 100% of
21 the tax determined under subsection (1)(a) must be distributed as provided in subsection (13).

22 (13) For the production of bentonite, 100% of the tax determined under subsection (1)(b) and the
23 distribution percentages determined under subsections (3) through (12) are allocated according to the following
24 schedule:

25 (a) 1.30% to the state special revenue fund to be appropriated to the Montana university system for the
26 purposes of the state tax levy as provided in 20-25-423;

27 (b) 20.75% to the state general fund ~~to be appropriated for the purposes of the tax levies as provided~~
28 ~~in 20-9-331, 20-9-333, and 20-9-360;~~

29 (c) 77.95% to the county in which production occurred to be distributed in proportion to current fiscal year
30 mill levies in the taxing jurisdictions in which production occurs, except a distribution may not be made for county

and state levies under 15-10-107, ~~20-9-331, 20-9-333, 20-9-360,~~ and 20-25-423.

(14) The department shall remit the amounts to be distributed in this section to the county treasurer by the following dates:

(a) On or before October 1 of each year, the department shall remit the county's share of bentonite production tax payments received for the semiannual period ending June 30 of the current year to the county treasurer.

(b) On or before April 1 of each year, the department shall remit the county's share of bentonite production tax payments received to the county treasurer for the semiannual period ending December 31 of the previous year.

(15) (a) The department shall also provide to each county the amount of gross yield of value from bentonite, including royalties, for the previous calendar year. Thirty-three and one-third percent of the gross yield of value must be treated as taxable value for county classification purposes under 7-1-2111 and for determining school district debt limits under 20-9-406.

(b) The percentage amount of the gross yield of value determined under subsection (15)(a) must be treated as assessed value under 15-8-111 for the purposes of local government debt limits and other bonding provisions as provided by law."

Section 10. Section 17-3-213, MCA, is amended to read:

"17-3-213. Allocation of forest reserve funds and other federal funds -- options provided in federal law. (1) The board of county commissioners in each county shall decide among payment options provided in subsections (2) through (4), as provided in Public Law 106-393, to determine how the forest reserve funds and Public Law 106-393 funds apportioned to each county must be distributed by the county treasurer pursuant to this section.

(2) If a board of county commissioners chooses to receive a payment that is 25% of the revenue derived from national forest system lands, as provided in 16 U.S.C. 500, all funds received must be distributed as provided in subsection (5).

(3) (a) Except as provided in subsection (4), if a county elects to receive the county's full payment under Public Law 106-393, a minimum of 80% up to a maximum of 85% of the county's full payment must be designated by the county for distribution as provided in subsection (5).

(b) The balance not distributed pursuant to subsection (3)(a) may be allocated by the county in

1 accordance with Public Law 106-393.

2 (4) If a county's full payment is less than \$100,000, the county may elect to distribute up to 100% of the
3 payment as provided in subsection (5).

4 (5) The total amount designated by a county in accordance with subsection (3)(a) or (4) must be
5 distributed as follows:

6 (a) to the general road fund, 66 2/3% of the amount designated;

7 (b) to the following countywide school levies, 33 1/3% of the amount designated:

8 ~~(i) county equalization for elementary schools provided for in 20-9-331;~~

9 ~~—— (ii) county equalization for high schools provided for in 20-9-333;~~

10 ~~(iii)~~(i) the county transportation fund provided for in 20-10-146; and

11 ~~(iv)~~(ii) the elementary and high school district retirement fund obligations provided for in 20-9-501.

12 (6) The apportionment of money to the funds provided for under subsection (5)(b) must be made by the
13 county superintendent based on the proportion that the mill levy of each fund bears to the total number of mills
14 for all the funds. Whenever the total amount of money available for apportionment under subsection (5)(b) is
15 greater than the total requirements of a levy, the excess money and any interest income must be retained in a
16 separate reserve fund, to be reapportioned in the ensuing school fiscal year to the levies designated in subsection
17 (5)(b).

18 (7) In counties in which special road districts have been created according to law, the board of county
19 commissioners shall distribute a proportionate share of the 66 2/3% distributed under subsection (5)(b) for the
20 general road fund to the special road districts within the county based upon the percentage that the total area of
21 the road district bears to the total area of the entire county."

22
23 **Section 11.** Section 17-7-140, MCA, is amended to read:

24 **"17-7-140. Reduction in spending.** (1) (a) As the chief budget officer of the state, the governor shall
25 ensure that the expenditure of appropriations does not exceed available revenue. Except as provided in
26 subsection (2), in the event of a projected general fund budget deficit, the governor, taking into account the
27 criteria provided in subsection (1)(b), shall direct agencies to reduce spending in an amount that ensures that the
28 projected ending general fund balance for the biennium will be at least 1% of all general fund appropriations
29 during the biennium. An agency may not be required to reduce general fund spending for any program, as defined
30 in each general appropriations act, by more than 10% during a biennium. Departments or agencies headed by

1 elected officials or the board of regents may not be required to reduce general fund spending by a percentage
2 greater than the percentage of general fund spending reductions required for the total of all other executive
3 branch agencies. The legislature may exempt from a reduction an appropriation item within a program or may
4 direct that the appropriation item may not be reduced by more than 10%.

5 (b) The governor shall direct agencies to manage their budgets in order to reduce general fund
6 expenditures. Prior to directing agencies to reduce spending as provided in subsection (1)(a), the governor shall
7 direct each agency to analyze the nature of each program that receives a general fund appropriation to determine
8 whether the program is mandatory or permissive and to analyze the impact of the proposed reduction in spending
9 on the purpose of the program. An agency shall submit its analysis to the office of budget and program planning
10 and shall at the same time provide a copy of the analysis to the legislative fiscal analyst. The office of budget and
11 program planning shall review each agency's analysis, and the budget director shall submit to the governor a
12 copy of the office of budget and program planning's recommendations for reductions in spending. The budget
13 director shall provide a copy of the recommendations to the legislative fiscal analyst at the time that the
14 recommendations are submitted to the governor and shall provide the legislative fiscal analyst with any proposed
15 changes to the recommendations. The legislative finance committee shall meet within 20 days of the date that
16 the proposed changes to the recommendations for reductions in spending are provided to the legislative fiscal
17 analyst. The legislative fiscal analyst shall provide a copy of the legislative fiscal analyst's review of the proposed
18 reductions in spending to the budget director at least 5 days before the meeting of the legislative finance
19 committee. The committee may make recommendations concerning the proposed reductions in spending. The
20 governor shall consider each agency's analysis and the recommendations of the office of budget and program
21 planning and the legislative finance committee in determining the agency's reduction in spending. Reductions in
22 spending must be designed to have the least adverse impact on the provision of services determined to be most
23 integral to the discharge of the agency's statutory responsibilities.

24 (2) Reductions in spending for the following may not be directed by the governor:

- 25 (a) payment of interest and principal on state debt;
- 26 (b) the legislative branch;
- 27 (c) the judicial branch;
- 28 (d) the school BASE funding program, including special education;
- 29 (e) salaries of elected officials during their terms of office; and
- 30 (f) the Montana school for the deaf and blind.

(3) (a) As used in this section, "projected general fund budget deficit" means an amount, certified by the budget director to the governor, by which the projected ending general fund balance for the biennium is less than:

(i) 2% of the general fund appropriations for the second fiscal year of the biennium prior to October of the year preceding a legislative session;

(ii) 3/4 of 1% in October of the year preceding a legislative session;

(iii) 1/2 of 1% in January of the year in which a legislative session is convened; and

(iv) 1/4 of 1% in March of the year in which a legislative session is convened.

(b) In determining the amount of the projected general fund budget deficit, the budget director shall take into account revenue, established levels of appropriation, anticipated supplemental appropriations for school ~~equalization aid~~ funding, and anticipated reversions.

(4) If the budget director determines that an amount of actual or projected receipts will result in an amount less than the amount projected to be received in the revenue estimate established pursuant to 5-5-227, the budget director shall notify the revenue and transportation interim committee of the estimated amount. Within 20 days of notification, the revenue and transportation interim committee shall provide the budget director with any recommendations concerning the amount. The budget director shall consider any recommendations of the revenue and transportation interim committee prior to certifying a projected general fund budget deficit to the governor."

Section 12. Section 17-7-301, MCA, is amended to read:

"17-7-301. Authorization to expend during first year of biennium from appropriation for second year -- proposed supplemental appropriation defined -- limit on second-year expenditures. (1) An agency may make expenditures during the first fiscal year of the biennium from appropriations for the second fiscal year of the biennium if authorized by the general appropriations act. An agency that is not authorized in the general appropriations act to make first-year expenditures may be granted spending authorization by the approving authority upon submission and approval of a proposed supplemental appropriation to the approving authority. The proposal submitted to the approving authority must include a plan for reducing expenditures in the second year of the biennium that allows the agency to contain expenditures within appropriations. If the approving authority finds that, due to an unforeseen and unanticipated emergency, the amount actually appropriated for the first fiscal year of the biennium with all other income will be insufficient for the operation and maintenance of the agency during the year for which the appropriation was made, the approving authority shall, after careful study

1 and examination of the request and upon review of the recommendation for executive branch proposals by the
2 budget director, submit the proposed supplemental appropriation to the legislative fiscal analyst.

3 (2) The plan for reducing expenditures required by subsection (1) is not required if the proposed
4 supplemental appropriation is:

5 (a) due to an unforeseen and unanticipated emergency for fire suppression;

6 (b) requested by the superintendent of public instruction, in accordance with the provisions of 20-9-351,
7 and is to complete the state's funding of guaranteed tax base aid, transportation aid, or ~~equalization aid~~ the state
8 share of funding to elementary and secondary schools for the current biennium; or

9 (c) requested by the attorney general and:

10 (i) is to pay the costs associated with litigation in which the department of justice is required to provide
11 representation to the state of Montana; or

12 (ii) in accordance with the provisions of 7-32-2242, is to pay costs for which the department of justice is
13 responsible for confinement of an arrested person in a detention center.

14 (3) Upon receipt of the recommendation of the legislative finance committee pursuant to 17-7-311, the
15 approving authority may authorize an expenditure during the first fiscal year of the biennium to be made from the
16 appropriation for the second fiscal year of the biennium. Except as provided in subsection (2), the approving
17 authority shall require the agency to implement the plan for reducing expenditures in the second year of the
18 biennium that contains agency expenditures within appropriations.

19 (4) The agency may expend the amount authorized by the approving authority only for the purposes
20 specified in the authorization.

21 (5) The approving authority shall report to the next legislature in a special section of the budget the
22 amounts expended as a result of all authorizations granted by the approving authority and shall request that any
23 necessary supplemental appropriation bills be passed.

24 (6) As used in this part, "proposed supplemental appropriation" means an application for authorization
25 to make expenditures during the first fiscal year of the biennium from appropriations for the second fiscal year
26 of the biennium.

27 (7) (a) Except as provided in subsections (2) and (7)(b), an agency may not make expenditures in the
28 second year of the biennium that, if carried on for the full year, will require a deficiency appropriation, commonly
29 referred to as a "supplemental appropriation".

30 (b) An agency shall prepare and, to the extent feasible, implement a plan for reducing expenditures in

1 the second year of the biennium that contains agency expenditures within appropriations. The approving authority
2 is responsible for ensuring the implementation of the plan. If, in the second year of a biennium, mandated
3 expenditures that are required by state or federal law will cause an agency to exceed appropriations or available
4 funds, the agency shall reduce all nonmandated expenditures pursuant to the plan in order to reduce to the
5 greatest extent possible the expenditures in excess of appropriations or funding. An agency may not transfer
6 funds between fund types in order to implement a plan."

7
8 **Section 13.** Section 20-6-702, MCA, is amended to read:

9 **"20-6-702. Funding for K-12 school districts.** (1) Notwithstanding the provisions of subsections (2)
10 through (6), a K-12 school district formed under the provisions of 20-6-701 is subject to the provisions of law for
11 high school districts.

12 (2) The number of elected trustees of the K-12 school district must be based on the classification of the
13 attached elementary district under the provisions of 20-3-341 and 20-3-351.

14 (3) Calculations for the following must be made separately for the elementary school program and the
15 high school program of a K-12 school district:

16 (a) the calculation of ANB for purposes of determining the total per-ANB entitlements must be in
17 accordance with the provisions of 20-9-311;

18 (b) ~~the basic county tax for elementary equalization and~~ revenue for the elementary BASE funding
19 program for the district must be determined in accordance with the provisions of 20-9-331, and the ~~basic county~~
20 ~~tax for high school equalization and~~ revenue for the high school BASE funding program for the district must be
21 determined in accordance with 20-9-333; and

22 (c) the guaranteed tax base aid for BASE funding program purposes for a K-12 school district must be
23 calculated separately, using each district's guaranteed tax base ratio, as defined in 20-9-366. The BASE budget
24 levy to be levied for the K-12 school district must be prorated based on the ratio of the BASE funding program
25 amounts for elementary school programs to the BASE funding program amounts for high school programs.

26 (4) The retirement obligation and eligibility for retirement guaranteed tax base aid for a K-12 school
27 district must be calculated and funded as a high school district retirement obligation under the provisions of
28 20-9-501.

29 (5) For the purposes of budgeting for a K-12 school district, the trustees shall adopt a single fund for any
30 of the budgeted or nonbudgeted funds described in 20-9-201 for the costs of operating all grades and programs

1 of the district.

2 (6) Tuition for attendance in the K-12 school district must be determined separately for high school pupils
3 and for elementary pupils under the provisions of 20-5-320 through 20-5-324, except that the actual expenditures
4 used for calculations in 20-5-323 must be based on an amount prorated between the elementary and high school
5 programs in the appropriate funds of each district in the year prior to the attachment of the districts."

6
7 **Section 14.** Section 20-9-212, MCA, is amended to read:

8 **"20-9-212. Duties of county treasurer.** The county treasurer of each county:

9 (1) must receive and shall hold all school money subject to apportionment and keep a separate
10 accounting of its apportionment to the several districts that are entitled to a portion of the money according to the
11 apportionments ordered by the county superintendent or by the superintendent of public instruction. A separate
12 accounting must be maintained for each county fund supported by a countywide levy for a specific, authorized
13 purpose, including:

14 ~~(a) the basic county tax for elementary equalization;~~

15 ~~—— (b) the basic county tax for high school equalization;~~

16 ~~(c)~~(a) the county tax in support of the transportation schedules;

17 ~~(d)~~(b) the county tax in support of the elementary and high school district retirement obligations; and

18 ~~(e)~~(c) any other county tax for schools, including the community colleges, that may be authorized by law
19 and levied by the county commissioners.

20 (2) whenever requested, shall notify the county superintendent and the superintendent of public
21 instruction of the amount of county school money on deposit in each of the funds enumerated in subsection (1)
22 and the amount of any other school money subject to apportionment and apportion the county and other school
23 money to the districts in accordance with the apportionment ordered by the county superintendent or the
24 superintendent of public instruction;

25 (3) shall keep a separate accounting of the receipts, expenditures, and cash balances for each fund;

26 (4) except as otherwise limited by law, shall pay all warrants properly drawn on the county or district
27 school money;

28 (5) must receive all revenue collected by and for each district and shall deposit these receipts in the fund
29 designated by law or by the district if a fund is not designated by law. Interest and penalties on delinquent school
30 taxes must be credited to the same fund and district for which the original taxes were levied.

(6) shall send all revenue received for a joint district, part of which is situated in the county, to the county treasurer designated as the custodian of the revenue, no later than December 15 of each year and every 3 months after that date until the end of the school fiscal year;

(7) at the direction of the trustees of a district, shall assist the district in the issuance and sale of tax and revenue anticipation notes as provided in Title 7, chapter 6, part 11;

(8) shall register district warrants drawn on a budgeted fund in accordance with 7-6-2604 when there is insufficient money available in all funds of the district to make payment of the warrant. Redemption of registered warrants must be made in accordance with 7-6-2116, 7-6-2605, and 7-6-2606.

(9) when directed by the trustees of a district, shall invest the money of the district within 3 working days of the direction;

(10) each month, shall give to the trustees of each district an itemized report for each fund maintained by the district, showing the paid warrants, registered warrants, interest distribution, amounts and types of revenue received, and the cash balance;

(11) shall remit promptly to the department of revenue receipts for the county tax for a vocational-technical program within a unit of the university system when levied by the board of county commissioners under the provisions of 20-25-439;

(12) shall invest the money received from ~~the basic county taxes for elementary and high school equalization~~, the county levy in support of the elementary and high school district retirement obligations; and the county levy in support of the transportation schedules within 3 working days of receipt. The money must be invested until the working day before it is required to be distributed to school districts within the county or remitted to the state. Clerks of a school district shall provide a minimum of 30 hours' notice in advance of cash demands to meet payrolls, claims, and electronic transfers that are in excess of \$50,000, pursuant to 20-3-325. If a clerk of a district fails to provide the required 30-hour notice, the county treasurer shall assess a fee equal to any charges demanded by the state investment pool or other permissible investment manager for improperly noticed withdrawal of funds. Permissible investments are specified in 20-9-213(4). All investment income must be deposited, and credited proportionately, in the funds established to account for the taxes received for the purposes specified in subsections (1)(a) through ~~(1)(d)~~ (1)(c).

(13) shall remit on a monthly basis to the department of revenue, as provided in 15-1-504, all county equalization revenue received under the provisions of 20-9-331 and 20-9-333, including all interest earned, in repayment of the state advance for county equalization prescribed in 20-9-347. Any funds in excess of a state

advance must be used as required in ~~20-9-331(1)(b)~~ 20-9-331(1) and ~~20-9-333(1)(b)~~ 20-9-333(1)."

Section 15. Section 20-9-306, MCA, is amended to read:

"20-9-306. Definitions. As used in this title, unless the context clearly indicates otherwise, the following definitions apply:

(1) "BASE" means base amount for school equity.

(2) "BASE aid" means:

(a) direct state aid for 44.7% of the basic entitlement and 44.7% of the total per-ANB entitlement for the general fund budget of a district;

(b) guaranteed tax base aid for an eligible district for any amount up to 35.3% of the basic entitlement, up to 35.3% of the total per-ANB entitlement budgeted in the general fund budget of a district, and 40% of the special education allowable cost payment;

(c) the total quality educator payment;

(d) the total at-risk student payment;

(e) the total Indian education for all payment; and

(f) the total American Indian achievement gap payment.

(3) "BASE budget" means the minimum general fund budget of a district, which includes 80% of the basic entitlement, 80% of the total per-ANB entitlement, 100% of the total quality educator payment, 100% of the total at-risk student payment, 100% of the total Indian education for all payment, 100% of the total American Indian achievement gap payment, and 140% of the special education allowable cost payment.

(4) "BASE budget levy" means the district levy in support of the BASE budget of a district, which may be supplemented by guaranteed tax base aid if the district is eligible under the provisions of 20-9-366 through 20-9-369.

(5) "BASE funding program" means the state program for the equitable distribution of the state's share of the cost of Montana's basic system of public elementary schools and high schools, through county equalization aid as provided in 20-9-331 and 20-9-333, ~~and~~ state equalization aid as provided in 20-9-343, and appropriations in support of the BASE budgets of districts and special education allowable cost payments as provided in 20-9-321.

(6) "Basic entitlement" means:

(a) \$230,199 for each high school district;

(b) \$20,718 for each elementary school district or K-12 district elementary program without an approved and accredited junior high school or middle school; and

(c) the prorated entitlement for each elementary school district or K-12 district elementary program with an approved and accredited junior high school or middle school, calculated as follows using either the current year ANB or the 3-year ANB provided for in 20-9-311:

(i) \$20,718 times the ratio of the ANB for kindergarten through grade 6 to the total ANB of kindergarten through grade 8; plus

(ii) \$230,199 times the ratio of the ANB for grades 7 and 8 to the total ANB of kindergarten through grade 8.

(7) "Budget unit" means the unit for which the ANB of a district is calculated separately pursuant to 20-9-311.

(8) "Direct state aid" means 44.7% of the basic entitlement and 44.7% of the total per-ANB entitlement for the general fund budget of a district and funded with appropriations and state and county equalization aid.

(9) "Maximum general fund budget" means a district's general fund budget amount calculated from the basic entitlement for the district, the total per-ANB entitlement for the district, the total quality educator payment, the total at-risk student payment, the total Indian education for all payment, the total American Indian achievement gap payment, and the greater of:

(a) 175% of special education allowable cost payments; or

(b) the ratio, expressed as a percentage, of the district's special education allowable cost expenditures to the district's special education allowable cost payment for the fiscal year that is 2 years previous, with a maximum allowable ratio of 200%.

(10) "Over-BASE budget levy" means the district levy in support of any general fund amount budgeted that is above the BASE budget and below the maximum general fund budget for a district.

(11) "Total American Indian achievement gap payment" means the payment resulting from multiplying \$200 times the number of American Indian students enrolled in the district as provided in 20-9-330.

(12) "Total at-risk student payment" means the payment resulting from the distribution of any funds appropriated for the purposes of 20-9-328.

(13) "Total Indian education for all payment" means the payment resulting from multiplying \$20.40 times the ANB of the district or \$100 for each district, whichever is greater, as provided for in 20-9-329.

(14) "Total per-ANB entitlement" means the district entitlement resulting from the following calculations

1 and using either the current year ANB or the 3-year ANB provided for in 20-9-311:

2 (a) for a high school district or a K-12 district high school program, a maximum rate of \$5,704 for the first
3 ANB is decreased at the rate of 50 cents per ANB for each additional ANB of the district up through 800 ANB,
4 with each ANB in excess of 800 receiving the same amount of entitlement as the 800th ANB;

5 (b) for an elementary school district or a K-12 district elementary program without an approved and
6 accredited junior high school or middle school, a maximum rate of \$4,456 for the first ANB is decreased at the
7 rate of 20 cents per ANB for each additional ANB of the district up through 1,000 ANB, with each ANB in excess
8 of 1,000 receiving the same amount of entitlement as the 1,000th ANB; and

9 (c) for an elementary school district or a K-12 district elementary program with an approved and
10 accredited junior high school or middle school, the sum of:

11 (i) a maximum rate of \$4,456 for the first ANB for kindergarten through grade 6 is decreased at the rate
12 of 20 cents per ANB for each additional ANB up through 1,000 ANB, with each ANB in excess of 1,000 receiving
13 the same amount of entitlement as the 1,000th ANB; and

14 (ii) a maximum rate of \$5,704 for the first ANB for grades 7 and 8 is decreased at the rate of 50 cents per
15 ANB for each additional ANB for grades 7 and 8 up through 800 ANB, with each ANB in excess of 800 receiving
16 the same amount of entitlement as the 800th ANB.

17 (15) "Total quality educator payment" means the payment resulting from multiplying \$2,000 times the
18 number of full-time equivalent educators as provided in 20-9-327."

19
20 **Section 16.** Section 20-9-308, MCA, is amended to read:

21 **"20-9-308. (Temporary) BASE budgets and maximum general fund budgets.** (1) The trustees of a
22 district shall adopt a general fund budget that is at least equal to the BASE budget established for the district and,
23 except as provided in subsection (3), does not exceed the maximum general fund budget established for the
24 district.

25 (2) Whenever the trustees of a district adopt a general fund budget that exceeds the BASE budget for
26 the district but does not exceed the maximum general fund budget for the district, the trustees shall submit a
27 proposition to the electors of the district, as provided in 20-9-353.

28 (3) (a) (i) Except as provided in subsections (3)(a)(ii) and (3)(b), the trustees of a school district whose
29 previous year's general fund budget exceeds the current year's maximum general fund budget amount may adopt
30 a general fund budget up to the maximum general fund budget amount or the previous year's general fund

1 budget, whichever is greater. Except as provided in subsection (3)(b), a school district may adopt a budget under
2 the criteria of this subsection (3)(a)(i) for a maximum of 5 consecutive years, but the trustees shall adopt a plan
3 to reach the maximum general fund budget by no later than the end of the 5-year period.

4 (ii) Except as provided in subsection (3)(b), the trustees of a district whose general fund budget was
5 above the maximum general fund budget established by Chapter 38, Special Laws of November 1993, and
6 whose general fund budget has continued to exceed the district's maximum general fund budget in each school
7 fiscal year after school fiscal year 1993 may continue to adopt a general fund budget that exceeds the maximum
8 general fund budget. However, the budget adopted for the current year may not exceed the lesser of:

9 (A) the adopted budget for the previous year; or

10 (B) the district's maximum general fund budget for the current year plus the over maximum budget
11 amount adopted for the previous year.

12 (b) A school district that adopted a general fund budget over its maximum general fund budget under
13 any provision of subsection (3)(a) at any time between fiscal year 2001 and fiscal year 2005 may, for fiscal year
14 2006 and fiscal year 2007, adopt the greater of its maximum general fund budget or the highest actual budget
15 adopted between fiscal year 2001 and fiscal year 2005.

16 (c) Except as provided in 20-9-353(8), the trustees of the district shall submit a proposition to raise any
17 general fund budget amount that is in excess of the maximum general fund budget for the district to the electors
18 who are qualified under 20-20-301 to vote on the proposition, as provided in 20-9-353.

19 (4) The BASE budget for the district must be financed by the following sources of revenue:

20 (a) state appropriations and state equalization aid, as provided in 20-9-343, including any guaranteed
21 tax base aid for which the district may be eligible, as provided in 20-9-366 through 20-9-369;

22 (b) county equalization aid, as provided in 20-9-331 and 20-9-333;

23 (c) a district levy for support of a school not approved as an isolated school under the provisions of
24 20-9-302;

25 (d) payments in support of special education programs under the provisions of 20-9-321;

26 (e) nonlevy revenue, as provided in 20-9-141; and

27 (f) a BASE budget levy on the taxable value of all property within the district.

28 (5) The over-BASE budget amount of a district must be financed by a levy on the taxable value of all
29 property within the district or other revenue available to the district, as provided in 20-9-141. (Terminates June
30 30, 2007--sec. 3, Ch. 190, L. 2005; sec. 25(2), Ch. 462, L. 2005.)

20-9-308. (Effective July 1, 2007) BASE budgets and maximum general fund budgets. (1) The

trustees of a district shall adopt a general fund budget that is at least equal to the BASE budget established for the district and, except as provided in subsection (3), does not exceed the maximum general fund budget established for the district.

(2) Whenever the trustees of a district adopt a general fund budget that exceeds the BASE budget for the district but does not exceed the maximum general fund budget for the district, the trustees shall submit a proposition to the electors of the district, as provided in 20-9-353.

(3) (a) (i) Except as provided in subsection (3)(a)(ii), the trustees of a school district whose previous year's general fund budget exceeds the current year's maximum general fund budget amount may adopt a general fund budget up to the maximum general fund budget amount or the previous year's general fund budget, whichever is greater. A school district may adopt a budget under the criteria of this subsection (3)(a)(i) for a maximum of 5 consecutive years, but the trustees shall adopt a plan to reach the maximum general fund budget by no later than the end of the 5-year period. A school district whose adopted general fund budget for the previous year exceeds the maximum general fund budget for the current year and whose ANB for the previous year exceeds the ANB for the current year by 30% or more shall reduce its adopted budget by:

(A) in the first year, 20% of the range between the district's adopted general fund budget for the previous school fiscal year and the maximum general fund budget for the current school fiscal year;

(B) in the second year, 25% of the range between the district's adopted general fund budget for the previous school fiscal year and the maximum general fund budget for the current school fiscal year;

(C) in the third year, 33.3% of the range between the district's adopted general fund budget for the previous school fiscal year and the maximum general fund budget for the current school fiscal year;

(D) in the fourth year, 50% of the range between the district's adopted general fund budget for the previous school fiscal year and the maximum general fund budget for the current school fiscal year; and

(E) in the fifth year, the remainder of the range between the district's adopted general fund budget for the previous school fiscal year and the maximum general fund budget for the current school fiscal year.

(ii) The trustees of a district whose general fund budget was above the maximum general fund budget established by Chapter 38, Special Laws of November 1993, and whose general fund budget has continued to exceed the district's maximum general fund budget in each school fiscal year after school fiscal year 1993 may continue to adopt a general fund budget that exceeds the maximum general fund budget. However, the budget adopted for the current year may not exceed the lesser of:

1 (A) the adopted budget for the previous year; or

2 (B) the district's maximum general fund budget for the current year plus the over maximum budget
3 amount adopted for the previous year.

4 (b) The trustees of the district shall submit a proposition to raise any general fund budget amount that
5 is in excess of the maximum general fund budget for the district to the electors who are qualified under 20-20-301
6 to vote on the proposition, as provided in 20-9-353.

7 (4) The BASE budget for the district must be financed by the following sources of revenue:

8 (a) state appropriations and state equalization aid, as provided in 20-9-343, including any guaranteed
9 tax base aid for which the district may be eligible, as provided in 20-9-366 through 20-9-369;

10 (b) county equalization aid, as provided in 20-9-331 and 20-9-333;

11 (c) a district levy for support of a school not approved as an isolated school under the provisions of
12 20-9-302;

13 (d) payments in support of special education programs under the provisions of 20-9-321;

14 (e) nonlevy revenue, as provided in 20-9-141; and

15 (f) a BASE budget levy on the taxable value of all property within the district.

16 (5) The over-BASE budget amount of a district must be financed by a levy on the taxable value of all
17 property within the district or other revenue available to the district, as provided in 20-9-141."

18
19 **Section 17.** Section 20-9-331, MCA, is amended to read:

20 **"20-9-331. ~~Basic county tax for elementary equalization and other revenue~~ Revenue for county**
21 **equalization of elementary BASE funding program.** (1) ~~Subject to 15-10-420, the county commissioners of~~
22 ~~each county shall levy an annual basic county tax of 33 mills on the dollar of the taxable value of all taxable~~
23 ~~property within the county, except for property subject to a tax or fee under 61-3-321(2) or (3), 61-3-529,~~
24 ~~61-3-537, 61-3-562, 61-3-570, and 67-3-204, for the purposes of elementary equalization and state BASE funding~~
25 ~~program support. The revenue collected from this levy must be apportioned to the support of the elementary~~
26 ~~BASE funding programs of the school districts in the county and to the state general fund in the following manner:~~
27 ~~—— (a) In order to determine the amount of revenue raised by this levy that is retained by the county, the sum~~
28 ~~of the estimated revenue identified in subsection (2) must be subtracted from the total of the BASE funding~~
29 ~~programs of all elementary districts of the county.~~

30 ~~—— (b) If the basic levy and other revenue prescribed by this section produce~~ produces more revenue than

1 is required to repay a state advance for county equalization, the county treasurer shall remit the surplus funds
 2 to the department of revenue, as provided in 15-1-504, for deposit to the state general fund immediately upon
 3 occurrence of a surplus balance and each subsequent month, with any final remittance due no later than June
 4 20 of the fiscal year for which the levy has been set.

5 (2) The revenue realized from ~~the county's portion of the levy prescribed by this section and the revenue~~
 6 ~~from~~ the following sources must be used for the equalization of the elementary BASE funding program of the
 7 county as prescribed in 20-9-335, and a separate accounting must be kept of the revenue by the county treasurer
 8 in accordance with 20-9-212(1):

9 (a) the portion of the federal Taylor Grazing Act funds designated for the elementary county equalization
 10 fund under the provisions of 17-3-222;

11 (b) the portion of the federal flood control act funds distributed to a county and designated for expenditure
 12 for the benefit of the county common schools under the provisions of 17-3-232;

13 (c) all money paid into the county treasury as a result of fines for violations of law, except money paid
 14 to a justice's court, and the use of which is not otherwise specified by law;

15 (d) any money remaining at the end of the immediately preceding school fiscal year in the county
 16 treasurer's accounts for the various sources of revenue established or referred to in this section;

17 ~~(e) any federal or state money distributed to the county as payment in lieu of property taxation, including~~
 18 ~~federal forest reserve funds allocated under the provisions of 17-3-213;~~

19 ~~(f)~~(e) gross proceeds taxes from coal under 15-23-703; and

20 ~~(g)~~(f) oil and natural gas production taxes."

21
 22 **Section 18.** Section 20-9-333, MCA, is amended to read:

23 **~~"20-9-333. Basic county tax for high school equalization and other revenue~~ Revenue for county**
 24 **~~equalization of high school BASE funding program.~~ (1) Subject to 15-10-420, the county commissioners of**
 25 **~~each county shall levy an annual basic county tax of 22 mills on the dollar of the taxable value of all taxable~~**
 26 **~~property within the county, except for property subject to a tax or fee under 61-3-321(2) or (3), 61-3-529,~~**
 27 **~~61-3-537, 61-3-562, 61-3-570, and 67-3-204, for the purposes of high school equalization and state BASE funding~~**
 28 **~~program support. The revenue collected from this levy must be apportioned to the support of the BASE funding~~**
 29 **~~programs of high school districts in the county and to the state general fund in the following manner:~~**

30 ~~—— (a) In order to determine the amount of revenue raised by this levy that is retained by the county, the sum~~

1 of the estimated revenue identified in subsection (2) must be subtracted from the sum of the county's high school
 2 tuition obligation and the total of the BASE funding programs of all high school districts of the county.

3 ~~—— (b) If the basic levy and other revenue prescribed by this section produce~~ produces more revenue than
 4 is required to repay a state advance for county equalization, the county treasurer shall remit the surplus funds
 5 to the department of revenue, as provided in 15-1-504, for deposit to the state general fund immediately upon
 6 occurrence of a surplus balance and each subsequent month, with any final remittance due no later than June
 7 20 of the fiscal year for which the levy has been set.

8 (2) The revenue realized from the ~~county's portion of the levy prescribed in this section and the revenue~~
 9 ~~from the~~ following sources must be used for the equalization of the high school BASE funding program of the
 10 county as prescribed in 20-9-335, and a separate accounting must be kept of the revenue by the county treasurer
 11 in accordance with 20-9-212(1):

12 (a) any money remaining at the end of the immediately preceding school fiscal year in the county
 13 treasurer's accounts for the various sources of revenue established in this section;

14 ~~(b) any federal or state money distributed to the county as payment in lieu of property taxation, including~~
 15 ~~federal forest reserve funds allocated under the provisions of 17-3-213;~~

16 ~~(c)~~(b) gross proceeds taxes from coal under 15-23-703; and

17 ~~(d)~~(c) oil and natural gas production taxes."

18
 19 **Section 19.** Section 90-6-309, MCA, is amended to read:

20 **"90-6-309. Tax prepayment -- large-scale mineral development.** (1) After permission to commence
 21 operation is granted by the appropriate governmental agency, and upon request of the governing body of a
 22 county in which a facility is to be located, a person intending to construct or locate a large-scale mineral
 23 development in this state shall prepay property taxes as specified in the impact plan. This prepayment shall
 24 exclude the 6-mill university levy established under 20-25-423 ~~and may exclude the mandatory county levies for~~
 25 ~~the school BASE funding program established in 20-9-331 and 20-9-333.~~

26 (2) The person who is to prepay under this section is not obligated to prepay the entire amount
 27 established in subsection (1) at one time. Upon request of the governing body of an affected local government
 28 unit, the person shall prepay the amount shown to be needed from time to time as determined by the board.

29 (3) The person who is to prepay shall guarantee to the hard-rock mining impact board, through an
 30 appropriate financial institution, as may be required by the board, that property tax prepayments will be paid as

1 needed for expenditures created by the impacts of the large-scale mineral development.

2 (4) When the mineral development facilities are completed and assessed by the department of revenue,
3 they are subject ~~during the first 3 years and thereafter~~ to taxation as all other property similarly situated, except
4 that in each year after the start of production, the local government unit that received a property tax prepayment
5 shall provide for repayment of prepaid property taxes in accordance with subsection (5).

6 (5) A local government unit that received all or a portion of the property tax prepayment under this
7 section shall provide for tax crediting as specified in the impact plan. The tax credit allowed in any year may not,
8 however, exceed the tax obligation of the developer for that year, and the time period for tax crediting is limited
9 to the productive life of the mining operation."

10
11 **Section 20.** Section 90-6-403, MCA, is amended to read:

12 **"90-6-403. Jurisdictional revenue disparity -- conditioned exemption and reallocation of certain**
13 **taxable valuation.** (1) When an impact plan for a large-scale mineral development approved pursuant to
14 90-6-307 identifies a jurisdictional revenue disparity, the board shall promptly notify the developer, all affected
15 local government units, and the department of revenue of the disparity. Except as provided in 90-6-404 and this
16 section, the increase in taxable valuation of the mineral development that occurs after the issuance and validation
17 of a permit under 82-4-335 is not subject to the usual application of county and school district property tax mill
18 levies. This increase in taxable valuation must be allocated to local government units as provided in 90-6-404.
19 The increase in taxable valuation allocated as provided in 90-6-404 is subject to 15-10-420 and the application
20 of property tax mill levies in the local government unit to which it is allocated. The increase in taxable valuation
21 allocated to the local government unit is considered newly taxable property in the recipient local government unit
22 as provided in 15-10-420.

23 ~~(2) Subject to 15-10-420, the total taxable valuation of a large-scale mineral development remains~~
24 ~~subject to the statewide mill levies and basic county levies for elementary and high school BASE funding~~
25 ~~programs as provided in 20-9-331 and 20-9-333.~~

26 ~~(3)(2)~~ The provisions of subsection (1) remain in effect until the large-scale mineral development ceases
27 operations or until the existence of the jurisdictional revenue disparity ceases, as determined by the board."

28
29 **NEW SECTION. Section 21. Repealer.** Section 20-9-360, MCA, is repealed.

NEW SECTION. **Section 22. Saving clause.** [This act] does not affect rights and duties that matured, penalties that were incurred, or proceedings that were begun before [the effective date of this act].

NEW SECTION. **Section 23. Effective date.** [This act] is effective July 1, 2007.

NEW SECTION. Section 24. Applicability -- retroactive applicability. (1) [This act] applies to school district budgets adopted on or after July 1, 2007.

(2) [This act] applies retroactively, within the meaning of 1-2-109, to property tax levies imposed on or after December 31, 2007.

- END -